Terms of Trade – MCQs

1) 9708/M16/12/Q25

A country's terms of trade increased from a base year value of 100 to 120 in the following year.

If export prices had increased by 50%, what was the change in the price of the country's imports?

A –30% **B** –25% **C** +25% **D** +30%

2) 9708/S16/11/Q25

Which combination of changes in import prices and export prices would result in a fall in the value of a country's terms of trade?

	average import prices	average export prices
A	decrease by 5%	decrease by 10%
B	decrease by 10%	decrease by 5%
C	decrease by 10%	increase by 5%
D	increase by 5%	increase by 10%

3) 9708/S16/12/Q24

Between 2005 and 2010, a country's import prices rose by 25% and its terms of trade rose to 120 (2005 = 100).

Which change has there been in the country's export prices?

A –5% **B** 12.5% **C** 45% **D** 50%

4) 9708/W16/11/Q26

The table gives the terms of trade index for Brunei Darussalam for the period 2009 to 2012.

	2009	2010	2011	2012
terms of trade index	100.0	107.2	124.9	134.5

What can be concluded from the table?

A Export prices were 34.5% higher in 2012 than in 2009.

B Import prices were 34.5% lower in 2012 than in 2009.

C The ratio of export to import prices was 34.5% higher in 2012 than in 2009.

D The terms of trade increased by 34.5% during 2012.

5) 9708/W16/12/Q25

The table shows the indices of import prices and export prices of four countries between July 2013 and July 2014.

	index of import prices		index of export prices	
	July 2013	July 2014	July 2013	July 2014
Brazil	137	139	164	162
China	98	101	99	99
Italy	113	111	113	114
Spain	110	106	111	109

In which countries did the terms of trade improve between July 2013 and July 2014?

A Brazil and China

B China only

C Italy and Spain

D Italy only

6) 9708/W16/13/Q25

How is the terms of trade index calculated?

A $\frac{\text{export price index}}{\text{import price index}} \times 100$

B $\frac{\text{export price index}}{\text{quantity of exports traded}} \times 100$

C $\frac{\text{import price index}}{\text{export price index}} \times 100$

D $\frac{\text{quantity of imports traded}}{\text{quantity of exports traded}} \times 100$

7) 9708/M17/12/Q25

The table gives the Terms of Trade Index in 2010 and 2013 for Japan and Venezuela.

Terms of Trade (2000=100)

	2010	2013
Venezuela	215.9	254.6
Japan	67.7	59.0

Which combination of statements is a correct interpretation of the changes between 2010 and 2013?

	can buy more imports per unit of exports	import prices have risen faster than export prices
A	Japan	Japan
B	Japan	Venezuela
C	Venezuela	Japan
D	Venezuela	Venezuela

8) 9708/S17/11/Q24

Since 2000 a country's export prices have increased on average by 50% and its import prices by 25%.

What is the current figure for the country's terms of trade (2000 = 100)?

A 75 **B** 83 **C** 120 **D** 125

9) 9708/S17/12/Q25

A country's terms of trade currently stands at 150 (base year 2000 = 100).

Since 2000 the average price the country has received for its exports has increased by 20%.

What has been the change in the average price it has paid for its imports?

A –25% **B** –20% **C** +20% **D** +25%

10) 9708/S17/13/Q24

An economy's terms of trade fell from the base year of 100 to 90.

Which changes in the export price index and the import price index would have caused this?

	export price index change	import price index change
A	0	–10
B	0	+10
C	–10	0
D	–10	+10

11) 9708/W17/11/Q24

An economy's terms of trade rose from the base year of 100 to 110.

Which changes in the export price index and the import price index would have caused this?

	export price index change	import price index change
A	0	–10
B	0	+10
C	+10	0
D	+20	+10

12) 9708/W17/13/Q24

What has happened when a country's terms of trade are said to have moved in a favourable direction?

A Each unit of imports costs more exports.

B More foreign currency enters the country to pay for exports.

C The monetary value of exports and imports is equalised.

D The ratio of the index of export prices to the index of import prices increases.

13) 9708/M18/12/Q25

The table shows the terms of trade for Saudi Arabia.

date	terms of trade
2000	100
2010	105
2015	137

What can be concluded from the table for Saudi Arabia?

A Export prices rose relative to import prices.

B The balance of trade surplus increased.

C The volume of exports exceeded the volume of imports.

D The volume of exports rose faster than the volume of imports.

14) 9708/S18/11/Q24

The terms of trade for a country have improved.

Which combination of price behaviour would have caused this?

	average price of exports	average price of imports
A	decrease 4%	decrease 6%
B	decrease 4%	unchanged
C	increase 4%	increase 6%
D	unchanged	increase 2%

15) 9708/S18/11/Q27

The demand for a country's exports is price-elastic.

What will be the effect of introducing export subsidies on its balance of trade and on its terms of trade?

	balance of trade	terms of trade
A	improve	improve
B	improve	worsen
C	worsen	improve
D	worsen	worsen

16) 9708/S18/12/Q24

Country P exports goods and imports goods.

Export prices and import prices are set to an index of 100 in year 1. The table shows corresponding prices indices for years 2 and 3.

	year 2	year 3
export price index	120	132
import price index	110	121

Which statement is correct?

A It is not possible to say how the terms of trade changed without further information.

B The terms of trade improved between years 1 and 2, and improved again between years 2 and 3.

C The terms of trade improved between years 1 and 2, and then remained unchanged between years 2 and 3.

D The terms of trade worsened throughout the whole period.

17) 9708/S18/13/Q24

The terms of trade for the major oil exporting country of Saudi Arabia fell from 223 in 2013 to 205 in 2014.

What could be a likely cause of this fall?

A a fall in the amount of oil exported by Saudi Arabia

B a fall in the amount of oil produced by Saudi Arabia

C a fall in the price of Saudi Arabian oil exports

D an appreciation of the Saudi Arabian currency

18) 9708/W18/12/Q25

The index for a country's terms of trade changed from 100 in year 2015, to 104 in year 2016.

What could have caused this change?

A a fall in export prices with import prices unchanged

B a fall in revenue from the export of services

C an appreciation of the country's currency

D a rise in the value of imports

19) 9708/W18/13/Q24

The table refers to a particular country.

year	index of import prices (2010 = 100)	index of export prices (2010 = 100)
2005	48.1	57.0
2015	122.4	120.8

Which statement about the period 2005 to 2015 is correct?

A The balance of payments worsened.

B The current account balance improved.

C The exchange rate appreciated.

D The terms of trade fell.

20) 9708/M19/12/Q19

What will definitely lead to an improvement in the terms of trade?

A Export prices fall whilst import prices rise.

B Export prices rise by the same amount as import prices.

C Export prices rise slower than import prices.

D Export prices rise whilst import prices stay the same.

21) 9708/M19/12/Q25

The terms of trade of a developing country fell from 90 in 2010 to 80 in 2015.

Assuming the index of its import prices remained constant at 110 between these two years, what happened to its index of export prices?

A fell by 10

B fell by 11

C increased by 10

D increased by 30

22) 9708/S19/11/Q22

In which situation will a country's terms of trade worsen?

A The prices of its imports rise by more than the prices of its exports.

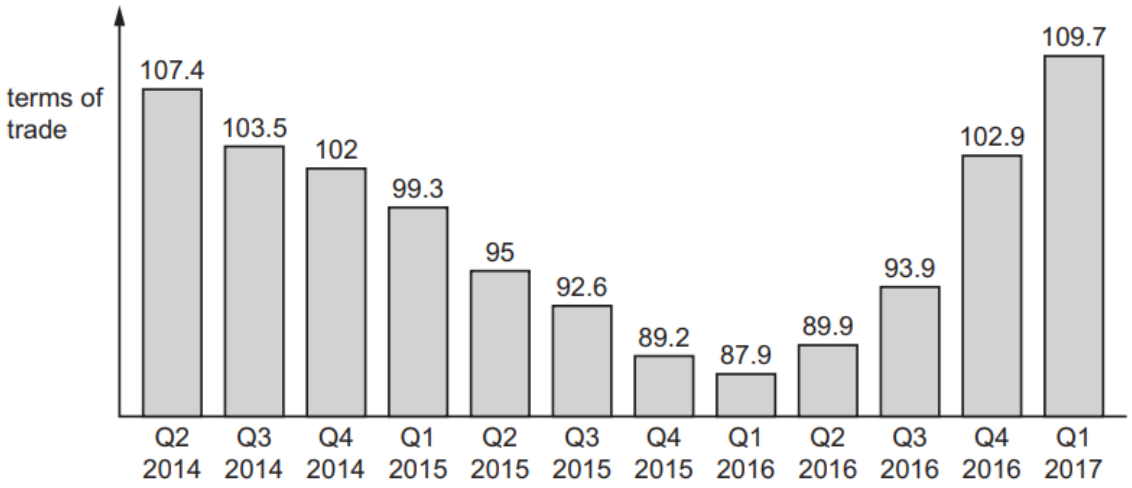
B The total value of external payments rises by more than the total value of external receipts.

C The value of its imports rises by more than the value of its exports.

D The volume of its imports rises by more than the volume of its exports.

23) 9708/W19/11/Q23

The diagram shows Australia's terms of trade per quarter from Q2, 2014 to Q1, 2017.



In which period did Australia's terms of trade decline and then improve?

A Q2, 2014 to Q4, 2014

B Q1, 2015 to Q3, 2015

C Q4, 2015 to Q2, 2016

D Q3, 2016 to Q1, 2017

24) 9708/W19/12/Q26

The tables show changes over a period in the average prices of a country's exports and imports. They are expressed as index numbers, with year 0 as 100.

index of export prices		
year 0	year 1	year 2
100	115	125

index of import prices		
year 0	year 1	year 2
100	120	125

What is the change in the country's terms of trade index between years 1 and 2?

A It improves by about 10%.

B It improves between 4% and 5%.

C It stays the same.

D It worsens between 4% and 5%.

25) 9708/S20/11/Q19

What is **least** likely to change an advanced industrialised economy's terms of trade?

A its level of labour productivity

B its rate of inflation

C the maintenance of a stable foreign exchange rate

D the occurrence of random supply shocks

26) 9708/S20/12/Q25

Why does the value of a country's terms of trade have no monetary units?

A It cannot be calculated accurately enough.

B It includes more than one currency.

C It is a ratio of two index numbers.

D It measures change over time.

27) 9708/S20/13/Q23

The table shows the relative price of exports compared with imports expressed as an index number for an economy (2013 = 100).

date	index
2013	100
2014	97
2015	95

Which statement about the period 2013–2015 is correct?

A Export prices have increased each year.

B The general level of prices has fallen.

C The terms of trade have deteriorated.

D The volume of imports increasingly exceeds the volume of exports.

28) 9708/W20/11/Q19

Agricultural economies have faced a deterioration in their terms of trade.

What might have contributed to this?

A falling exchange rates of agricultural economies

B falling productivity in agricultural production

C increasing productivity in manufacturing economies

D the high income elasticity of demand for foodstuffs

29) 9708/W20/13/Q23

What is indicated by an economy's terms of trade?

A the degree of its dependence on imports

B the international competitiveness of its exports

C the purchasing power of its exports relative to its imports

D the relative strength of its currency in the foreign exchange market

30) 9708/M21/12/Q20

A country's terms of trade changed from 100 to 95.

What is **most** likely to have caused this change?

A a depreciation of the country's currency

B a reduction in import tariffs

C a rise in the price of exported goods

D an improvement in the balance of trade

31) 9708/W21/11/Q21

What best describes a country's terms of trade?

A the difference between the volume of its exports and its imports

B the average price of its exports divided by the average price of its imports

C the total value of its exports divided by the total value of its imports

D the volume of its exports divided by the volume of its imports

32) 9708/W21/12/Q23

The average price of a country's exports increased by 5% and the average price of its imports increased by 10%.

What can definitely be concluded from this information?

A Its balance of trade will improve.

B Its balance of trade will worsen.

C Its terms of trade have improved.

D Its terms of trade have worsened.

33) 9708/W21/13/Q20

The demand for a country's exports is price-elastic. Its government introduces export subsidies.

What will be the effect on its balance of trade and on its terms of trade?

	balance of trade	terms of trade
A	increase	increase
B	increase	decrease
C	decrease	increase
D	decrease	decrease

34) 9708/W21/13/Q21

The table shows the average changes in the prices and volumes of exports and imports.

Which combination of changes would result in an increase in the terms of trade?

	export prices	export volumes	import prices	import volumes
A	–10%	+15%	–15%	+10%
B	–3%	+6%	–2%	+1%
C	+5%	–5%	+6%	–1%
D	+10%	–5%	+12%	–6%

35) 9708/M22/12/Q21

The terms of trade index for Mauritius fell from 111.2 in the first quarter of 2018 to 106.1 in the second quarter.

Which combination could have produced this outcome?

	export prices	import prices
A	rose	fell
B	rose	rose
C	rose	unchanged
D	unchanged	fell

36) 9708/S22/11/Q24

What leads to a fall in a country's terms of trade?

A a fall in the price of exports relative to the price of imports

B a fall in the price of imports relative to the price of exports

C a fall in the quantity of exports relative to the quantity of imports

D a fall in the quantity of imports relative to the quantity of exports

37) 9708/S22/12/Q21

What will lead to an improvement in the terms of trade?

A Export prices fall by 10% and import prices fall by 5%.

B Export prices fall by 10% and import prices rise by 5%.

C Export prices rise by 5% and import prices rise by 10%.

D Export prices rise by 10% and import prices rise by 5%.

38) 9708/S22/13/Q20

What could explain an improvement in the terms of trade for a country?

A an increase in tariffs on imports

B a decrease in the volume of imports sold

C an increase in the prices of exports

D a decrease in the volume of exports sold

39) 9708/W22/12/Q22

In which situation will a country's terms of trade improve?

A Its total value of imports rises less than its total value of exports.

B Its volume of imports rises less than its volume of exports.

C The prices of its imports rise by less than the prices of its exports.

D The value of its external payments rises by less than the value of its external receipts.

40) 9708/W22/13/Q23

The price and volume indexes of a country's imports and exports are shown in the table, for year 2 [year 1 = 100].

year 2 price index		year 2 volume index	
imports	exports	imports	exports
110	121	90	80

What is the country's terms of trade index for year 2?

A 90.9 **B** 97.8 **C** 110.0 **D** 111.0

Q.No	Answer	Q.No	Answer
1	C	31	B
2	A	32	D
3	D	33	B
4	C	34	A
5	C	35	B
6	A	36	A
7	C	37	D
8	C	38	C
9	B	39	C
10	C	40	C
11	C		
12	D		
13	A		
14	A		
15	B		
16	C		
17	C		
18	C		
19	D		
20	D		
21	B		
22	A		
23	C		
24	B		
25	C		
26	C		
27	C		
28	A		
29	C		
30	A		